
State of California
Department of Finance
Information Management
Cost Report
Preparation Instructions
August 2004

INTRODUCTION TO THE INFORMATION MANAGEMENT COST REPORT

Overview

The State Administrative Manual (SAM) Section 4903.2 requires that, by January 31 of each year or as instructed by the Department of Finance (Finance), each agency must summarize its actual and projected information technology (IT) costs for the past year, the current year, and the budget year in a format defined by Finance. Agency telecommunications costs are to be summarized separately from all other IT costs. Finance has created an automated workbook with two spreadsheets which agencies must fill in and send to Finance, along with the transmittal sheet, by the due date. The Excel workbook and the model transmittal document are available for downloading from the State Information Management Manual on the Finance Web site or can be obtained from the agency's Office of Technology Review, Oversight, and Security manager. (See SIMM Section 55.)

The two cost summaries are defined as follows:

1. **A Summary of Data Processing Costs** – These costs must include all IT costs except those for telecommunications.
2. **A Summary of Telecommunications Costs** -- For the purpose of the summaries, telecommunications activities include voice and data communications, the transmission or reception of signals, writing, sounds, or intelligence of any nature by wire, radio, light beam, or any other electronic means.

There should be no overlap in costs reported on the spreadsheets. Each cost must be reported on only one or the other of the two.

Information Management Costs Transmittal Requirements

The Information Management Costs Spreadsheets must be attached to a transmittal document which must be approved and sent under the signatures of the:

- Department's Director or designee
- Department's Budget Officer
- Department's Chief Information Officer

INFORMATION MANAGEMENT COST REPORTING INSTRUCTIONS

1.0 Definitions

Report the requested information according to the definitions below.

Information Technology includes, but is not limited to, all electronic technology systems and services, automated information handling, system design and analysis, conversion of data, computer programming, information storage and retrieval, telecommunications which include voice, video, and data communications, requisite system controls, and simulation.

Telecommunications includes voice and data communications, the transmission or reception of signals, writing, sounds, or intelligence of any nature by wire, radio, light beam, or any other electromagnetic means.

Data Processing includes the systematic performance of operations upon data, e.g., handling, merging, sorting, computing, and is synonymous with information processing. For reporting purposes, data processing includes all information technology activities not identified in "Telecommunications."

Information Technology Personnel includes all state personnel employed in IT or telecommunications classifications as defined by the Department of Personnel Administration and all personnel with other classifications within the agency who perform information technology activities at least 50 percent of their time. Users of office automation or personal computers are not included in this category unless they are in data processing or telecommunications classifications or spend at least 50 percent of their time performing information technology activities, as defined in SAM Section 4819.2.

2.0 General Instructions

The following general instructions should be followed in completing both the Telecommunications Costs and Data Processing Costs worksheets.

- Report data for three fiscal years, consisting of the Past Year, Current Year, and Budget Year
- Round costs to the nearest \$100 and report costs in \$1,000 increments. For example, \$49,325 would be reported as \$49.3
- Report the same amounts for personnel costs as those reported in the current Salaries and Wages Supplement. Exceptions are interagency agreements and commercial contracts which supplement staff resources, for which the costs shown should be based on the rate structure provided in the agreement or contract.
- Round personnel years (PYs) to the nearest one tenth full-time equivalent.
- Report all information technology costs and personnel years on either the Data Processing or Telecommunications worksheet. Do not duplicate costs or personnel years between worksheets or within a single worksheet.

- Allocate costs of all information technology personnel on a proportionate basis to either data processing or telecommunications, and report the allocated amounts on the appropriate worksheets.
- Report each cost in the single category that is most appropriate. For example, "Software Purchase/Lease" charges reported under the subcategory, "Interagency Agreement," should not also be duplicated under "Supplemental Services and Processing, State Data Centers or Other Interagency Agreement."

3.0 Instructions for Completing Specific Items

In addition to the general instructions set forth above, the following instructions are to be used in completing the individual data items on the Agency Information Technology Costs worksheets. Please see sample at the end of these instructions. (Note: The item numbers following, below, correspond with item numbers on the worksheets.)

1. Agency Personnel

Agency Personnel includes information technology staff, as defined in the General Instructions that have been budgeted or established administratively.

2. Supplemental Personnel

Agencies that use interagency agreements or commercial contracts to supplement staff resources should report costs associated with those staff resources using the rate structure provided in the agreement or contract. The following three classifications of supplemental personnel should be detailed:

2a. Interagency Agreement - includes personnel acquired through agreements with other state agencies. These personnel are typically under the direct supervision of the agency procuring the services, and costs are based upon an established hourly rate. Report dollars and PYs.

2b. Contract Personnel - includes personnel acquired through contracts with non-state entities (for example, through the Master Agreement for Information Technology Support Services). These personnel are typically under the direct supervision of the agency procuring the services, and costs are based upon an established hourly rate. Reporting of personnel years is not required for this subcategory.

2c. Consultant Support - includes services acquired through contracts with non-state entities to provide the agency with specific deliverable products. These independent contractors are typically self-supervised and compensation is closely tied to deliverables rather than hours worked. Reporting of personnel years is not required for this subcategory.

3. Equipment Purchase/Lease

This line includes rentals, leases, purchases (installment or lump sum payment) of information technology and telecommunications equipment and acquisitions carried out through interagency agreement. Also included in this category are the costs of equipment maintenance and repair. **Excluded** are central processing units,

computers, minicomputers and microcomputers whose only functions are single-function process control, analog data collection, or telemetry systems (see SAM Section 4819.32.)

Costs incurred through "3a. Interagency Agreement" should be reported separately from those incurred through "3b. Purchase Order or Contract". (An agency that is reimbursed for equipment costs incurred under the terms of an interagency agreement still should reflect the cost of purchased or leased equipment under the "Purchase Order or Contract" subcategory if the reimbursed agency is paying a non-state entity for the equipment.)

The following are examples of **information technology** equipment:

- a. Central Processing Units — general purpose mainframe central processing units and all related features and peripherals, including processor storage, console devices, channel devices, etc.
- b. Mid-range computers/Servers/Microcomputers/Personal Computers — mid-range computers or microcomputers that are not part of a device reported in any other category, and all peripheral equipment associated with such computers.
- c. Special Purpose Systems — systems designed and used for designated purposes including word processing, Magnetic Ink Character Recognition (MICR), Optical Character Recognition (OCR), photocomposition, etc.
- d. Satellite Processors — remote equipment connected to and controlled by a central processor and for remote batch processing.
- e. Key Entry Equipment — stand-alone data entry devices including keypunches, verifiers, key-tape and key-disk devices.
- f. Peripheral Devices — off-line or on-line peripheral devices including disk units, tape units, readers, printers, scanners, electronic white boards and associated control units.
- g. Terminals — operator interface devices, whether connected by cable or telephone line, including typewriter terminals, cathode ray tube terminals, teletype, etc. If a modem is manufactured as part of a terminal, its cost is to be considered part of the terminal's cost.
- h. Computer Output Microfilm Equipment — on-line or off-line devices used to record data on film for subsequent development and use in microfilm viewers.
- i. Other — IT equipment not included in the above categories, including equipment such as sorters, collators, interpreters, tabulating machines, bursters, decollators, and other equipment principally used to support IT activities.

The following are examples of **telecommunications** equipment:

- a. Central Processing Units — mainframe central processing units **whose primary purpose is communications processing**, front-end processors, and all related features, including processor storage, console devices, channel devices, etc.
- b. Customer Communications Equipment — all customer premises equipment used primarily for voice or data communications, such as telephone instruments, PBXS, MUXS, modems, routers, switches, concentrators and controllers.

- c. Radio/Microwave Equipment – fixed, mobile, hand-held equipment, paging devices, cellular phones and ancillary equipment.

4. Software Purchase/Lease

Software Purchase/Lease includes all software acquisitions that are separate from (i.e., not bundled with) hardware costs. Costs paid to other state agencies through interagency agreement for software licensing, rental, lease or purchase (installment or lump sum payment) are to be reported under "4a. Interagency Agreement". Costs paid to non-state entities for software licensing, purchase, rental or lease are to be reported under "4b. Purchase Order or Contract". (An agency that is reimbursed for software costs incurred under the terms of an interagency agreement still should reflect the cost of purchased or leased software under the "4b. Purchase Order or Contract" subcategory if the reimbursed agency is paying a non-state entity for the software.)

Do not include costs for software development in this category. Costs for in-house software development should be reported under "Agency Personnel" to account for the staff time involved and under "Supplemental Services and Processing" to account for the costs of any associated computer usage purchased from another organization. Costs for software development through interagency agreement, contract personnel, or consultant support should be reported under "Supplemental Personnel" and "Supplemental Services and Processing" as appropriate.

Data Processing software costs include the costs of software used on mainframes, mid-range computers, servers, microcomputers, and personal computers. Examples of such software are: operating systems, database management systems, compilers, report generation and file manipulation packages, office automation packages, utilities packages, application packages and application generator software.

Telecommunications software costs include the costs of software used on mainframes, mid-range computers, microcomputers, and personal computers whose primary purpose is communications processing. This category also includes the costs of software associated with customer premises equipment used primarily for telecommunications, such as with telephone instruments, PBXS, MUXS, modems, routers, switches, concentrators and controllers. Examples of such software are: packages for line and terminal control, protocol control, message routing, security, system management or other applications (whether resident in the host, front end processor or network device), operating systems, network simulation packages, network diagnostic packages, traffic management and telephone management packages.

5. Agency Facilities

Agency facilities include the cost of physical facilities including floor space, site preparation, and modification, fire suppression systems, air conditioning, etc. Costs of facilities used for both data processing and telecommunications shall be prorated between the data processing and telecommunications worksheets.

6. Supplemental Services and Processing

These include information technology services received from State agencies (subcategory "6a. State Data Centers or Other Interagency Agreement") and from non-state entities (subcategory "6b. Contract Services and Processing"). **Do not duplicate equipment costs reported under "Equipment Purchase/Lease" or contract costs for software rental, lease, purchase, or licensing included in "Software Purchase/Lease."**

Data Processing supplemental services include (but are not limited to) the following: computer use (batch mode or time-share), data entry, computer output microfilm, training, and various related peripheral services such as courier service.

Telecommunications supplemental services include (but are not limited to) the following: network troubleshooting, network operations, training, network design, equipment and line installation charges, toll charges, private line service charges, access charges, or any other telecommunications-related services.

The following definitions are provided to assist in the gathering of telecommunication supplemental services related information:

CALNET - the agency's proportional share of the state's long-distance voice network. This network is administered by the Department of General Services, Telecommunications Division (DGS/TD), and the costs to be reported should be derived from the monthly billing from DGS/TD to the agency.

Toll Charges - the agency's long-distance charges through private carriers. The costs to be reported should be derived from billings provided by the long-distance provider.

Private Line Service Charges - charges for dedicated private data or voice communications lines. The costs to be reported should be derived from bills provided by the long-distance providers. In some cases, private line services may be provided by local telephone companies. Charges for use of value-added services, such as Tymnet and Telenet, are included in this category.

Access Charges - costs assessed for access to the local telephone company's service for origination of long-distance calls. These costs should be derived from bills provided by the local telephone company.

Other Local Telephone Services - charges for all other services, excluding one-time costs such as installation or repair of equipment, and the actual cost of the equipment. Charges to be included are: monthly service, message units, itemized service area calls, surcharges and regulatory fees. These costs should be derived from bills provided by the local telephone company.

NOTE: CALNET costs should be included in the "Supplemental Services and Processing," subcategory "6a. State Data Centers or Other Interagency Agreement" on the telecommunications worksheet of Agency Information Management Costs, while Toll Charges, Private Line Service Charges, Access Charges and Other Local Telephone Services should be included in the subcategory "6b. Contract Services and Processing" on the same worksheet.

7. Other Costs

Other costs include products and services required to support information technology activities but not included in the more specific categories, including utilities and supplies. Costs for information technology products and services received from state

agencies are reported under "7a. Interagency Agreement," while costs for products and services provided by non-state entities are reported under "7b. Purchase Order or Contract."

8. Total Costs (Calculated Field)

This is the sum of all cost categories described above.

9. Reimbursements Received

Enter any reimbursements received through interagency agreement for the provision of data processing or telecommunications products and services to other State agencies.

10. Net Costs (Calculated field)

This is the difference between "Total Costs" and "Less Reimbursements Received."

11. Total Interagency Agreement Costs (Calculated Field)

This is the sum of all costs allocated to interagency agreement categories under "Supplemental Personnel," "Equipment Purchase/Lease," "Software Purchase/Lease," "Supplemental Services and Processing," and "Other Costs."

12. Breakdown of Total Costs

Allocate the percent of Total Costs to development, operations, and maintenance as follows:

12a. Percent for Development - represents costs associated with the analysis, design, programming, staff training, data conversion, acquisition, and implementation of new information technology applications.

12b. Percent for Operations--represents costs associated with the continued operation of applications of information technology. Among the costs categorized as operations would be those of personnel associated with computer operations; including network operations, job control, scheduling, key entry and the costs of computer time or other resources for processing.

12c. Percent for Maintenance--represents costs associated with the ongoing upkeep of operational applications of information technology. Among the costs categorized as maintenance would be those associated with correcting flaws or optimizing existing systems or applications and responding to minor changes in specified user requirements.

SAMPLE SPREADSHEET PAGES FOLLOW ON NEXT PAGE

**Agency Information Management Costs
Data Processing Costs Worksheet**

Department: _____

Date: _____

<i>Cost shown in thousands</i>	Past FY 2001-02		Current FY 2002-03		Budget FY 2003-04	
	PYs	COSTS	PYs	COSTS	PYs	COSTS
1. Agency Personnel	0.0	0.0	0.0	0.0	0.0	0.0
2. Supplemental Personnel						
2a. Interagency Agreement	0.0	0.0	0.0	0.0	0.0	0.0
2b. Contract Personnel	0.0	0.0	0.0	0.0	0.0	0.0
2c. Consultant Support		0.0		0.0		0.0
3. Equipment Purchase/Lease						
3a. Interagency Agreement		0.0		0.0		0.0
3b. Purchase Order or Contract		0.0		0.0		0.0
4. Software Purchase/Lease						
4a. Interagency Agreement		0.0		0.0		0.0
4b. Purchase Order or Contract		0.0		0.0		0.0
5. Agency Facilities		0.0		0.0		0.0
6. Supplemental Services and Processing						
6a. State Data Centers or Other Interagency Agreement		0.0		0.0		0.0
6b. Contract Services and Processing		0.0		0.0		0.0
7. Other Costs						
7a. Interagency Agreement		0.0		0.0		0.0
7b. Purchase Order or Contract		0.0		0.0		0.0
8. Total Costs		0.0		0.0		0.0
9. Reimbursements Received		0.0		0.0		0.0
10. Net Costs (Subtract item 9 from 8)		0.0		0.0		0.0
11. Total Interagency Agreement Costs (sum of items 2a, 3a, 4a, 6a, 7a)		0.0		0.0		0.0
12. Breakdown of Total Costs (item 8)						
12a. Percent for Development		0%		0%		0%
12b. Percent for Operations		0%		0%		0%
12c. Percent for Maintenance		0%		0%		0%

**Agency Information Management Costs
Telecommunications Costs Worksheet**

Department: _____

Date: _____

<i>Cost shown in thousands</i>	Past FY 2001-02		Current FY 2002-03		Budget FY 2003-04	
	PYs	COSTS	PYs	COSTS	PYs	COSTS
1. Agency Personnel	0.0	0.0	0.0	0.0	0.0	0.0
2. Supplemental Personnel						
2a. Interagency Agreement	0.0	0.0	0.0	0.0	0.0	0.0
2b. Contract Personnel	0.0	0.0	0.0	0.0	0.0	0.0
2c. Consultant Support		0.0		0.0		0.0
3. Equipment Purchase/Lease						
3a. Interagency Agreement		0.0		0.0		0.0
3b. Purchase Order or Contract		0.0		0.0		0.0
4. Software Purchase/Lease						
4a. Interagency Agreement		0.0		0.0		0.0
4b. Purchase Order or Contract		0.0		0.0		0.0
5. Agency Facilities		0.0		0.0		0.0
6. Supplemental Services and Processing						
6a. State Data Centers or Other Interagency Agreement		0.0		0.0		0.0
6b. Contract Services and Processing		0.0		0.0		0.0
7. Other Costs						
7a. Interagency Agreement		0.0		0.0		0.0
7b. Purchase Order or Contract		0.0		0.0		0.0
8. Total Costs		0.0		0.0		0.0
9. Reimbursements Received		0.0		0.0		0.0
10. Net Costs (Subtract item 9 from 8)		0.0		0.0		0.0
11. Total Interagency Agreement Costs (sum of items 2a, 3a, 4a, 6a, 7a)		0.0		0.0		0.0
12. Breakdown of Total Costs (item 8)						
12a. Percent for Development		0%		0%		0%
12b. Percent for Operations		0%		0%		0%
12c. Percent for Maintenance		0%		0%		0%